

## First Person

# Denise Nappier State Treasurer of Connecticut



As an identical triplet and the first woman and African American elected State Treasurer of Connecticut, Denise Nappier is hardly typical. But in some ways her background fits the model of those who pursue a career in public service. It includes, for example, parents who emphasized contributing to the betterment of society. Nappier's father was an architect and a Tuskegee Airman, her mother a paraprofessional in the education field. A native of Hartford, Nappier went to Virginia State University for her bachelor's degree and received a master's from the University of Cincinnati. In 1989, she was elected to the first of five terms as Hartford City Treasurer. She was elected State Treasurer of Connecticut in 1998. Since then, her office has safeguarded and increased the state's financial resources while simultaneously working to be a force for good. *Communities & Banking* recently had the opportunity to speak with Treasurer Nappier.

**C&B:** How did your past experience prepare you for being State Treasurer of Connecticut?

**DN:** My years as the treasurer of Hartford were helpful. When I first assumed that role, the city was in the midst of difficult economic times. I was eager to begin work on my platform to consider the corporate-citizenship record of the banks that managed city funds. However, many local banks were on the verge of insolvency, and my primary obligation was to protect the funds under my trust. The experience was a valuable lesson on being a fiduciary. As conditions improved, I was able to fully consider a bank's community

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reinvestment performance and put money in banks that were not only financially strong but also had demonstrated a commitment to reinvest in Hartford. It's what we refer to in the industry as the "double bottom line."

**C&B:** Explain how you focus on that double bottom line now that you serve the whole state.

**DN:** As a fiduciary I have a responsibility to hire vendors that can manage our banking service needs and to invest in

portfolio companies that can protect and grow Connecticut's pension funds. But we also consider companies' role as corporate citizens—nontraditional financial or economic factors. For example, do portfolio companies have a commitment to workforce and board diversity? Do they treat their workers fairly? Do our vendors provide Connecticut jobs? This in no way conflicts with my fiduciary obligation. We've done our due diligence, and the pension fund has grown to \$21 billion. At the end of fiscal year 2004, it had grown nearly \$2 billion from the previous year, and in 2005, it grew another billion. Our investment performance is highly ranked within the industry.

**C&B:** So you use your investment clout to promote responsible corporate citizenship?

**DN:** Yes. When our portfolio companies are good corporate actors, it can go a long way toward improving the value of our shares. Connecticut is unique in that state law allows us to consider the social, environmental, and economic impact of our investments. This is not just a moral obligation: It's an economic necessity. Studies have shown that the way a company treats its workers and the larger community can have a direct effect on the bottom line.

**C&B:** I understand that when companies you invested in have broken laws, your office has not hesitated to sue.

**DN:** We go after the money. But litigation is a last resort after we have pursued all other avenues. We were the lead plaintiff in a class action suit against Waste Management, for example, and recovered \$457 million for investors, the third-largest securities class-action settlement in U.S. history.

**C&B:** What role should a state treasurer play in helping individuals move out of poverty and become self-sufficient?

**DN:** From the beginning, I have been about increasing opportunities for Connecticut residents and acting as a catalyst to encourage financial education. Improving financial literacy allows people to become economically self-sufficient. This is particularly important for our young people. I have visited schools and helped to implement initiatives that teach students the ABC's of finance. My office helped establish the first Youth Financial Conference. In addition, we have promoted individual development accounts, which help low-income people save for a goal such as purchasing a home or starting a small business. IDAs provide matching money from public and private groups to help the poor build and maintain assets. More than 1,000 people have been or currently are participants in the state IDA program.

**C&B:** What actions did your office take on individual development accounts?

**DN:** I appointed a statewide task force in 2000 (the first of its kind) to see how we could expand IDA availability in Connecticut. My office brought in outside experts to explore the economic benefit to the state. We assembled banks, community development corporations, and state agencies to assess the feasibility of expanding IDAs. There were several groups in Connecticut with IDA programs, but the state needed to endorse the initiative to be eligible for a federal matching grant. Once the report was complete, legislation passed rather quickly—people really embraced the program once they saw the benefits for families and communities.

**C&B:** Where else does the matching money come from?

**DN:** I have counted on banks to participate as part of their community investment responsibilities. In fact, IDAs were first funded through the community reinvestment commitment my office helped secure during the merger of Fleet and Bank Boston. IDAs have a financial-education component, which makes them a natural for banks. Individuals who start saving in a bank through an IDA usually form long-term financial relationships with those institutions.

**C&B:** Describe some challenges you have faced.

**DN:** When I was first elected, there was a perception that I didn't know much about managing money, or that I was going to focus my attention on social issues — perhaps because I am a woman and black. But I see my responsibility as making the money grow, and I had nearly a decade of experience as treasurer of Hartford. Does my office place high value on promoting programs that help Connecticut citizens build assets and improve their financial situation? Yes. But that is an economic necessity, not a "social issue."

**C&B:** Explain your program for letting local investment companies manage part of the Connecticut Retirement Plans & Trust Funds.

**DN:** We set up an investment program called the Connecticut Horizon Fund. We invest pension funds in a central money manager. The central money manager farms out part of the money management to women-owned, minority-owned, emerging and Connecticut-based firms, and oversees their investment work. That eliminates previous barriers such as requiring a state pension-fund money manager to have at least \$2 billion under management. And it lets us support smaller firms and the next generation of fund managers. We hope to invest between 2.5 percent and 5 percent of our retirement assets with these smaller money managers over the next few years and give them a chance to build a track record. With the playing field leveled, we expect them not only to generate solid performance, but to outperform some of the big money managers. We are all about growing the money.